EXHIBIT 1

BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION

CONTRACT FOR EVALUATION OF BELL ATLANTIC - PA's OPERATIONS SUPPORT SYSTEMS	:	**Docket No. M-00991228**

POST-WORKSHOP COMMENTS OF AT&T COMMUNICATIONS OF PENNSYLVANIA, INC.

I. Introduction

AT&T is submitting these Comments following the OSS workshops that were held on December 6, 7, 8 and 13, 2000 to discuss KPMG's November 9, 2000 draft final report regarding its third party test of Verizon Pennsylvania's operations support systems. During those workshops, CLECs questioned KPMG concerning its methodology for evaluating Verizon's OSS in order to understand more fully the bases and rationale underlying KPMG's assessment. Additionally, numerous requests for information were initiated during the first three days of workshops, December 6-8, to which KPMG responded partially on December 12, 2000. These responses were the subject of the fourth day of workshops held on December 13, 2000. KPMG subsequently provided partial responses to outstanding requests for information and thereafter, CLECs were permitted to file Comments addressing KPMG's supplemental responses to information requests and summarizing their respective positions regarding the draft report.

II. Summary of Position

The workshops (and, indeed, the draft report itself) identified a number of critical concerns with the third party test. A primary example is the apparent failure of the third party test methodology to examine the sufficiency of Verizon Pennsylvania's resources and capabilities to process non-flowthrough orders and conduct other manually intensive activities that are an integral part of its wholesale OSS. Indeed, based on KPMG's own description of its limited review of Verizon's manual processes—intended through design of the Master Test Plan that guided KPMG's third party test -- KPMG and the Pennsylvania Commission cannot draw any conclusions from the third party test regarding Verizon Pennsylvania's ability to staff sufficiently its wholesale support operations with trained and knowledgeable personnel that truly are able to assist CLECs.

The volume performance test likewise focused almost exclusively on flowthrough orders that are designed to be processed without manual intervention. The volume test did not examine separately Verizon Pennsylvania's ability to process nonflowthrough orders on a timely and accurate basis. Nor did the volume test evaluate Verizon's capabilities for completing the provisioning and billing updates associated with CLEC orders, or its capabilities for notifying CLECs of these activities. This incomplete evaluation means that the Pennsylvania Commission cannot draw any conclusions regarding whether Verizon's OSS is capable of processing expected volumes of commercial transactions. Furthermore, AT&T's own commercial experience, shared with KPMG during the workshops, indicates that Verizon is unable to process sufficient levels of orders on a flowthrough basis. An unacceptably high amount of AT&T's flowthrough eligible orders are not flowing through due to problems on Verizon's side of the OSS interface.

Compounding the problem is that Verizon is not processing non-flowthrough orders on a timely basis and is not providing CLECs with timely and accurate order confirmations, reject responses and billing completion notifications.

AT&T's problems have been exacerbated because Verizon is not addressing OSS-related problems that AT&T brings to Verizon's attention through the initiation of trouble tickets. Trouble tickets languish for interminable, commercially unreasonable periods of time and are not resolved even when AT&T cautions Verizon that it may need to seek regulatory assistance to resolve outstanding OSS issues.

Verizon clearly does not have sufficient manual resources to handle non-flowthrough orders and the consequential problems that arise from non-flowthrough orders, such as missing or late notifiers, misprovisioning and the inevitable opening of trouble tickets.

Verizon's substandard OSS performance in failing to provide timely order confirmations and reject responses for both flowthrough and non-flowthrough orders that were transmitted during both transaction and volume testing, as documented in Exception No. 39 and in the draft report, makes clear that Verizon is unable to process orders timely in accordance with the performance standards established by the PUC. Consequently CLECs are not able to meet customers' expectations of installing service (the customer requested due date) based on Verizon's own published documentation regarding established provisioning intervals. This deficiency in Verizon's OSS most certainly will have a material adverse effect on competition.[1]

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[1] In its July 25, 2000 Secretarial Letter explaining the procedures that would be following once KPMG released its draft report, the PUC's Project Manager explained:

> "If the Draft Report concludes that Verizon's OSS systems have one or more defects, or a combination of defects, that have a material adverse effect on competition, the procedure set forth in the January 25, 2000 letter regarding retesting and workshops shall be followed. If, on the other hand, the Draft

The same clearly holds true for the fundamental deficiencies identified in the area of metrics. Indeed, the utter mess that KPMG uncovered when it tried to replicate Verizon's metrics does not even appear to be fixable during the scope of the third party test, at least according to KPMG. Consequently, KPMG has suggested that this entire section of the test be referred to another subsequent audit after the completion of the third party test. Only the two remaining sections, dealing with process and procedures reviews and transaction verification and validation testing, would be addressed in the final report.

The problem with this approach -- in addition to the obvious violation of the military style testing protocol adopted by the Commission -- is that there is no means available to validate the accuracy of the monthly performance reports that Verizon currently prepares and distributes to the PUC and CLECs. Furthermore, this approach fails to take into account that the reason why the PUC did not order a separate audit of Verizon's permanent performance metrics at the outset

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> Report concludes that Verizon's OSS systems have no remaining defects, or combination of defects, ***that have a material adverse effect on competition***, there will be a 30 day period for the conduct of workshops regarding the Draft Report. If workshops reveal no major deficiencies in the Draft Report or other unresolved substantial issues, the Commission would expect that KCI will be able to produce a Final Report within 15 days after the close of the 30 day period. The 30 day period will also allow KCI to produce its supplemental report on LSOG4 as discussed in a separate letter issued today at this docket. On the other hand, if, during the course of the workshops, it is revealed that there are major deficiencies in the Draft Report or other unresolved substantial issues, the Commission reserves the right to extend the workshop period for such additional time up to 90 days to resolve those issues.
>
> Finally, KCI's issuance of a Final Report concluding that Verizon's OSS systems are not a barrier to competition does not absolve Verizon of its obligation to fix all defects, however minor, identified by KCI in the course of the OSS Test." (emphasis added).

In its transmittal letter accompanying the November 9, 2000 Draft Report, KPMG identified the various outstanding areas of the test that Verizon had not satisfied test point evaluation criteria, and conclusively stated that none of the outstanding problems have a material adverse effect on competition. AT&T disagrees with KPMG's conclusions and will demonstrate that the remaining problems will have a material adverse effect on competition, unless Verizon is required to fix them before the test is concluded.

of Verizon's metrics data collection and reporting was because KPMG was supposed to perform metrics validation and verification during the third party OSS test. KPMG must clarify in its final report that an after-the-fact annual audit of Verizon's monthly performance reports, as the Commission contemplated in its December 31, 2000 Performance Standards Order, will not provide a timely means of confirming that Verizon's collection and reporting of metrics data is accurate. Unless and until that audit is conducted and Verizon fixes all measurement and data collection problems that are identified by the auditor, Verizon's monthly performance reports cannot be relied upon to evaluate whether Verizon is providing CLECs with nondiscriminatory access to its wholesale OSS.

Indeed, during the course of the workshops the CLECs clearly identified numerous situations where KPMG's experience was so vastly at odds with the CLECs' commercial experience that the only plausible explanation can be that Verizon provided better, preferred treatment to KPMG compared to lesser quality service that Verizon provided to CLECs. One such glaring example is Verizon's provision of electronically formatted wholesale bills for UNE-P lines to KPMG just a month or two after KPMG initiated this request. This is in stark contrast to the experience of AT&T and MCI Worldcom, who have asked Verizon repeatedly, and to no avail, for electronic bills for UNE-P lines to accommodate more easily their respective needs to verify the charges that Verizon has included on these wholesale bills.

KPMG's test results must be viewed through the lens of preferential treatment that KPMG received from Verizon during the third party test. The draft report itself vividly illustrates not only the ample opportunities that the testing methodology provided to Verizon to give preferential treatment to KPMG's pseudo CLEC operations, but the fact that Verizon took advantage of those opportunities. While KPMG recognized the potential for such preferential action by Verizon –and in fact took steps to avoid it -- it nonetheless was the recipient of "red carpet" treatment that is far from the normal CLEC experience.

For all of these reasons, AT&T submits that the draft report plainly shows that Verizon has not passed the third party OSS test in key areas that will have a material adverse effect on competition. Verizon must be required to fix its OSS now in accordance with the military style test format. In addition and at the very least, KPMG should make clear in its Final Report: (1) the inherent limitations in the scope of the test, consistent with the test design as described in the Master Test Plan; (2) limitations on the applicability of KPMG's test results to a typical CLEC's experience because Verizon provided preferential treatment to KPMG; and (3) limitations on KPMG's completion of retesting activities makes it impossible for KPMG to conclude that Verizon's OSS has satisfied KPMG's test point evaluation criteria.

III. **The Third Party Test Did Not Examine Whether Verizon Has Sufficient Staffing Resources to Support Wholesale OSS in Pennsylvania or Across Its Footprint.**

KPMG's draft report indicates that Verizon's process and procedures for operating its work centers that interact with CLEC are satisfactory.[2] During the workshops, however, KPMG clarified that its conclusion was based principally on an examination of Verizon's documentation, supplemented by limited field visits by KPMG personnel to observe Verizon's operations.[3] In particular, KPMG stated that its examination of Verizon's staffing plans for the Wholesale Customer Care Center ("WCCC") and the Telecommunications Industry Service Order Center ("TISOC") was limited to confirming that such procedures existed, and did not examine the merits of those procedures.[4]

KPMG's Master Test Plan did not call for KPMG to examine any of the assumptions underlying the staffing plan. Consequently, the draft report does not indicate whether Verizon's staffing procedure takes into account that Verizon will have to staff various commercially operating OSS environments simultaneously throughout its footprint.[5] Moreover, Verizon's wholesale OSS operations also rely on TISOC work centers in Virginia, Maryland and New Jersey for manual processing of Pennsylvania CLEC customer orders and Regional CLEC

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[2] KPMG Draft Report (November 9, 2000, Version 1.1),. PPR-3-8 at 60; PPR-9-13 at 192; PPR-12-1-6 at 491; PPR-12-1-13 at 496; PPR-8-6 at 172 (hereafter cited as "KPMG Draft Report"). The TISOC (Telecommunications Industry Service Order Center) manually works on CLEC customer orders. KPMG Draft Report at 158. The WCCC (Wholesale customer care center) fields CLEC problems with accessing Verizon's OSS as well as with missing notifiers such as missing acknowledgments, order confirmations, reject responses, provisioning completion notices and billing completion notices. Tr. 59-60. The RCMC (Regional CLEC Maintenance Center) fields CLEC problems with repair and maintenance of Verizon facilities. Tr. 313.

[3] Tr. 74, 79.

[4] Tr. 67-68; 108-109. Obviously, the Verizon employees were aware that KPMG personnel were monitoring their performance and there was absolutely no anonymity associated with KPMG's presence. Consequently, it is completely logical to expect Verizon to demonstrate exemplary performance during KPMG's observations, and there is little if any value to these field visits for confirming that Verizon's observed performance is typical. In fact, AT&T explained that, contrary to KPMG's observations, AT&T does not receive call backs from the call centers, and does not receive prompt responses to its trouble tickets. Tr. 214-215.

Maintenance Centers ("RCMC") in New Jersey and Virginia to CLEC trouble tickets.[6] None of these states' staffing plans were examined the course of the Pennsylvania OSS test,[7] and therefore, there is no way to confirm whether these out of state work centers are capable of handling Pennsylvania CLEC customer orders and CLEC trouble tickets.

The test plan's critical omission of examinations of the assumptions and other information contained in Verizon's staffing plans means that the Pennsylvania Commission cannot be assured on the basis of this test that Verizon has adequate resources in place to support its Pennsylvania OSS.[8] Verizon already has demonstrated its inability to operate more than one OSS environment when a service problem arises in another jurisdiction. This is precisely what happened when Verizon's New York OSS hemorrhaged and failed to return massive numbers of acknowledgments, order confirmations, reject responses, provisioning completion notification ("PCNs") and billing completion notifications ("BCNs"). As a result of Verizon's shift of resources to New York, the OSS test in Pennsylvania was put on hold until after the New York problem was stabilized. As Verizon explained, this resource allocation seemed most logical so that the problem in its then one commercial production environment could be addressed as quickly as possible.

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[6] KPMG Draft Report, PPR-9 at 76, PPR-17 at 409.

[7] Tr. 108, 495-496.

[8] Additionally, Verizon's capability to process DSL line sharing orders was completely outside the scope of the third party test. Tr. 229-230. Most if not all of these service orders are complex and will require sufficient resources to be able to manually process these orders. In fact, earlier this week, Verizon withdrew its Massachusetts Section 271 application, apparently in anticipation of a FCC decision rejecting the application for, among other problems, deficiencies in providing competitors with non-discriminatory access to elements necessary to provide advanced services. Like Pennsylvania, the Massachusetts KPMG third party OSS test did not evaluate DSL line sharing capability.

While Verizon had the luxury of using this approach when it only had one state's OSS in a commercial production environment, this option is obviously unlikely to be available in the future as other states complete their third party review of Verizon's OSS and CLECs continue their efforts to compete against Verizon. Although the New York service crisis was resolved ultimately, after many customers experienced service disruptions and terminations, there is no assurance if and when another problem develops with Verizon's OSS in any state, that Verizon will be able to continue supporting OSS at a fully functional level in other states that are unaffected by the problem.[9]

Of equal concern is the fact that the Master Test Plan did not contemplate any examination of the linkage between Verizon's flowthrough rate and its manual resource staffing plans. KPMG confirmed that it does not know whether Verizon's staffing plan assumes a certain percentage of transactions that will flowthrough.[10] All non-flowthrough orders must be processed manually by Verizon personnel. There is no question that if Verizon's OSS fails to achieve sufficient flowthrough levels, Verizon will be faced with mounting numbers of non-flowthrough orders that require human intervention and resources to process each order.[11] The non-flowthrough orders potentially will inundate Verizon's work centers. Inadequate staffing of those work centers inevitably means that Verizon will not be able to keep up with the processing of those manual orders. Verizon will be unable to meet its required intervals for processing orders and sending notifiers to CLECs to advise that Verizon has in fact received the orders and are processing them. CLECs' failures to receive status notifiers will require CLECs to initiate trouble

[9] While the LSOG4 common interface enables CLECs to access Verizon's OSS uniformly across Verizon's footprint, all of the legacy backoffice systems used to process CLEC customer orders vary across the former Bell Atlantic/NYNEX 14 state footprint.

[10] Tr. 67-68.

tickets with Verizon, which in turn will require more of Verizon's manual resources to address and resolve trouble tickets. Ultimately, timely processing of CLEC customers' orders will be thwarted completely, all due to Verizon's inadequate system capabilities to process flowthrough orders and to handle the additional, unanticipated volumes of non-flowthrough orders that were supposed to flowthrough.

Likewise, even if Verizon's systems do achieve an adequate level of flowthrough, there is still no assurance that Verizon has sufficient staffing to handle the timely and accurate processing of expected levels of non-flowthrough transactions at anticipated commercial volumes. Verizon's intervals for processing non-flowthrough orders unquestionably are longer than flowthrough intervals, and AT&T already has identified that Verizon's processing of non-flowthrough orders is more likely to generate mis-provisioning errors.[12] Unfortunately, the scope of KPMG's third party test excluded examination of these important aspects of Verizon's OSS and KPMG should make this point clear in its final report.

[11] Tr. 69, 214.

[12] Tr. 295-296.

IV. **<u>The Volume Test Did Not Examine Verizon's Ability to Timely Provision Orders and Update its Billing Records, Nor Did It Examine Verizon's Ability to Process Non-Flowthrough Orders</u>.**

The volume test that KPMG performed to examine the scalability of Verizon's systems to handle large volumes of transactions, based on forecasted volumes provided by CLECs, focused almost exclusively on orders that were designed to flowthrough.[13] Consequently, Verizon's ability to handle large volumes of non-flowthrough transactions was outside the design of the volume test. This means that there was no examination of the scalability of Verizon's staffing resources to handle large volumes of non-flowthrough orders, or of CLEC trouble tickets associated with those orders.

In fact, the volume test did not evaluate Verizon's OSS performance for measuring processing flowthrough of orders,[14] so the Pennsylvania Commission has no way of knowing whether Verizon's OSS achieves a sufficient flowthrough rate.[15] Similarly, the Commission has no way to evaluate from this test whether transactions do not flowthrough due to system design (the transaction was not flowthrough-eligible) or due to system defect (the transaction was flowthrough-eligible but failed to flowthrough due to a system defect). In fact, Verizon has yet to pass the test points that require it to provide timely order confirmations and reject responses for both flowthrough and non-flowthrough transactions during both production and volume testing.[16]

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[13] Tr. 217.

[14] Tr. 219-220. Mr. Sears, who headed the Pennsylvania OSS third party test, advised that KPMG examined flowthrough rates as part of a different transaction test. *Id.* TVV-2 examined order flowthrough rates as part of KPMG's transaction testing in TVV-1. KPMG Draft Report at 279.

[15] Pennsylvania is unique in not establishing a flowthrough performance standard for Verizon Pennsylvania; the New Jersey and New York regulatory commissions require Verizon to achieve a 95% flowthrough rate on flowthrough-eligible orders.

[16] *See* KPMG Draft Report, TVV2-2-4 at 263; TVV-2-2-5 at 264; TVV-1-3-4 through TVV-1-3-7 at 223-225; Exception No. 39.

Nor did the volume test examine Verizon's capabilities for provisioning orders and updating its billing records on a timely basis – that is, the volume test essentially evaluated Verizon's ability to receive and acknowledge a large number of orders; but not whether Verizon could actually fill those orders after it received them. [17] These components were outside the design of the volume test.[18] Consequently, the volume test results provide absolutely no assurance to the Pennsylvania Commission that in an active commercial environment Verizon will provide CLEC customers with at least the same level of service that it provides to its own retail operations for provisioning orders and updating billing records. Nor does the volume test provide any assurance that Verizon will notify CLECs on a timely basis when it has completed the provisioning of an order and the updating of its billing records to reflect the service configuration that it provisioned.[19]

Indeed, commercial experiences reported by MCI WorldCom and AT&T already indicate that Verizon's systems are not properly providing timely PCNs and BCNs. Without this information, CLECs and their customers have no way of knowing whether Verizon actually completed the work and whether the CLEC now has billing responsibility for the customer. CLECs once again are forced to resort to opening trouble tickets for each missing notifier and

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[17] Tr. 218-219.

[18] In evaluating Verizon's provisioning of production orders that were provisioned as part of KPMG's transaction testing, KPMG analyzed Verizon's switch translation records to determine whether those records reflected that Verizon had completed the provisioning work. KPMG did not make test calls to confirm that the features and services that were supposed to be provisioned in fact worked properly. Tr. 293-295. In contrast to KPMG's method of examining Verizon's provisioning accuracy, AT&T makes calls on each customer account to verify whether Verizon accurately provisioned the work order. AT&T has found that Verizon has a very high incidence of mis-provisioning work orders, 33%, and the misprovisioning problems occur 10% more frequently with non-flowthrough orders than with flowthrough orders. Tr. 296-297.

[19] The billing completion notification is critical because it is the document upon which a CLEC must rely to confirm that it now has billing responsibility for the customer. Unless and until Verizon updates its billing records, Verizon continues to treat the customer as their own, even if the provisioning work has been done and the customer has switched over to CLEC service.

hoping that Verizon has sufficient and qualified resources to work on and resolve the trouble tickets.

In light of Verizon's failure to pass numerous test points regarding the transmission of timely order confirmations and reject responses during the volume test, it is evident that this shortcoming will have a material adverse effect on competition, notwithstanding KPMG's unsupported claim to the contrary.[20] Verizon's inability to demonstrate that its systems are capable of sending acceptable levels of order confirmations and reject responses during production testing, coupled with its failure to send acceptable levels of these notices during volume testing, means that CLECs will not know—on a timely basis—whether Verizon will be able to meet customer's requested due dates for ordering services. It also means Verizon in fact will be less likely to meet those customers' requested due dates. As a result, the shortcomings in Verizon's OSS will sabotage CLECs' ability and effort to effectively compete against Verizon. Thus, in order to avoid any misunderstanding as to the relevance of its volume test results in this regard, KPMG should clarify in its final report the scope of the volume test, identifying with specificity areas which were evaluated during the test as well as those areas that were beyond the scope of the volume test by design.

[20] *See* KPMG November 9, 2000 Transmittal Letter accompanying the Draft Report.

V. Verizon's Failure to Provide Accurate Monthly Performance Standards Reports Will Preclude All Interested Parties, Including State and Federal Regulators as well as CLECs, from Determining Whether Verizon is Providing Non-discriminatory Access to CLECs, and Is Likely to Have a Material Adverse Effect on Competition.

KPMG's draft report concluded that Verizon has failed to satisfy the metrics replication portion of the third party test Of the total 32 test points in the metrics replication test, Verizon has not passed 14 or 44% of the test points.[21] KPMG further reported that it appeared unlikely that it would be able to complete the requisite retesting efforts to confirm whether Verizon could satisfy these requirements, within a reasonable period of time.[22] Furthermore, KPMG's test does not evaluate whether Verizon is able to correct retrospectively metrics reporting mistakes and reissue previous monthly reports that contain incorrect or incomplete information.[23] Nonetheless, KPMG concluded that "[i]naccuracies in metrics reporting do not in and of themselves result in a materially adverse effect on competition. However, they do adversely affect the ability of the Pa. PUC and other interested parties to monitor Verizon PA's performance going forward."[24]

In reaching this remarkable conclusion, however, KPMG evidently did not take into account that the monthly performance reports are the primary tool available to regulators to evaluate whether Verizon's wholesale OSS is providing CLECs with the same level—parity—of service that Verizon provides to its own retail operations. In the absence of Verizon's provision of reliable and accurate monthly performance reports, regulators have no systematic empirical

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[21] KPMG Draft Report, PMR-5 at 627-637.

[22] KPMG November 9, 2000 Transmittal Letter accompanying the Draft Report.

[23] Tr. 523. Retrospective correction of previously issued inaccurate reports is essential in order to evaluate the relative performance of Verizon's OSS compared to the service that Verizon provides to its own retail operations, and to determine whether Verizon properly computed any remedy payments that may be due to CLECs due to Verizon's substandard wholesale OSS performance.

[24] *Id.*

means to determine whether Verizon is providing nondiscriminatory access to its wholesale OSS to CLECs.

In an effort to rationalize that the third party test may be wrapped before Verizon's metrics-reporting deficiencies are fully addressed and resolved, KPMG places undue emphasis on the PUC's stated intention of convening an annual audit of Verizon's performance reports after the fact.[25] KPMG advised, in response to questioning during the workshops, that it was unaware of the analysis contained in the Commission's December 31, 1999 Performance Standards Order concerning the question of auditing Verizon's metrics.[26] There, the Commission had determined that because of the metrics examination that KPMG was supposed to be conducting as part of the OSS test, it was not necessary to convene an audit of Verizon's metrics at the commencement of Verizon's data collection and reporting of the carrier to carrier guidelines. The Commission concluded that in conjunction with the third party test review of Verizon's metrics, the Commission could wait a year to conduct an after-the-fact audit of the performance reports.[27]

As a result, the Commission and KPMG find themselves as the key participants in the regulatory equivalent of an Alphonse & Gaston routine. The Commission decides to postpone an audit of Verizon's metrics collection capabilities in the apparent belief that KPMG will evaluate those capabilities in the third party test. KPMG, faced with Verizon's utter inability to accurately compile and report this data, attempts to pass this responsibility off to the now-postponed audit.

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[25] KPMG's November 9, 2000 Transmittal Letter states, "The Pa. PUC has stated its intention to monitor Verizon's performance with respect to reporting metrics through the use of annual audits and effective incentives and remedies. This process, that has also been adopted in other jurisdictions by state regulatory bodies, should provide for continued scrutiny and ensure that any metrics reporting deficiencies remaining at the end of the KPMG Consulting OSS test are properly addressed and resolved."

[26] Tr. 355-356.

[27] *Joint Petition of Nextlink et al,* P-00991643 Opinion and Order (issued December 31, 1999) at 21-23.

The consequences, of course, are anything but funny. The PUC was clearly counting on the third party test to verify and validate the accuracy of Verizon's reporting of monthly carrier to carrier reports. That plainly has not occurred. Completion of this test thus is essential to confirm that Verizon has in place the necessary systems and procedures for providing accurate reports of its performance standards. At the very least, Verizon should be required to fix all of its outstanding metrics problems that KPMG has identified, and demonstrate that it can provide accurate monthly performance reports, before the Commission may conclude that Verizon has successfully passed the OSS third party test.

VI. Verizon Provided KMPG with Preferential Treatment.

While KPMG recognized the potential to receive preferential treatment from Verizon, and attempted to avoid that result,[28] the Master Test Plan did not require that KPMG empirically verify that its test results were not influenced by preferential treatment. As KPMG acknowledged, such empirical information is in fact available to perform this type of evaluation.[29] Iin fact, the available empirical information –as well as other information -- confirms that Verizon did provide preferential treatment to KPMG. Accordingly, the report does not necessarily depict, and should not be portrayed as depicting, a typical commercial CLEC's experience in attempting to use Verizon's wholesale OSS.

One of the most obvious areas where KPMG appears to have received preferential treatment was in the area of Verizon's processing of trouble tickets. KPMG reported that Verizon promptly investigated and resolved trouble tickets, and initiated outbound communications to advise KPMG of the status of those investigations while they were in process, in accordance with Verizon's documented procedures.[30] KPMG experienced no problems with Verizon's refusal to open trouble tickets no matter what problem KPMG identified. Furthermore, Verizon made warm transfers from its work centers and helpdesks to refer certain matters to internal subject matter experts.

This has not been the CLECs' experience. To the contrary, ATX, MCI WorldCom and AT&T each reported that their own companies' experiences in attempting to initiate and resolve trouble tickets were exactly the opposite of KPMG's. Verizon refused to make warm transfers of

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[28] Tr. 128-129; KPMG November 9, 2000 Transmittal Letter accompanying KPMG Draft Report.

[29] Tr. 75, 214-215; 488-490.

[30] Tr. 118.

calls to internal subject matter experts; refused in some situations to open trouble tickets for CLEC identified problems; virtually never initiated outbound contacts to CLECs to provide status updates on open trouble tickets; and has taken interminable lengths of time to investigate and resolve open trouble tickets.[31] The contrast between KPMG's report and CLEC's commercial experience is absolutely startling.

Trouble tickets are just one example, however. In the course of evaluating KPMG's experience in greater depth during the workshops, it became even more apparent that Verizon had both motive and opportunity to provide KPMG with preferential treatment. Verizon's obvious motive is to obtain KPMG's satisfactory ratings of its wholesale OSS performance. Verizon's obvious opportunity arose because KPMG always identified itself as the CLEC whenever it contacted Verizon's work centers and helpdesks.[32] While KPMG claims that it had no reason to think that Verizon's work center and helpdesk personnel treated KPMG any differently from any other CLEC,[33] KPMG lacks any empirical data and in fact conducted no specific evaluation to validate this claim. Further, KPMG's claim does not appear to take into account Verizon's motive and opportunity to provide preferential treatment to KPMG.[34]

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[31] Tr. 131; 214.

[32] Tr. 119.

[33] Tr. 126-128.

[34] The same scenario would govern each instance where KPMG's personnel conducted field visits to observe Verizon's processes and procedures. Verizon knew full well that KPMG was watching and that Verizon's performance was being evaluated for purposes of determining whether KPMG would evaluate favorably Verizon's OSS. It is not realistic to think that Verizon has not informed its employees of the importance of the third party test. At the very least, Verizon's employees know full well the importance of the company's successful completion of the OSS third party test, from the numerous press releases and other public documents that Verizon publishes concerning the OSS test. For example, Verizon employees read the newspaper and obviously see advertisements such as the Verizon Pennsylvania President's open letter to customers published in the December 6, 2000 edition of the Patriot News. That advertisement characterized the KPMG draft as providing Verizon with a passing grade on the third party test of its OSS. Tr. 28-29.

Not inconsequential is the fact that Verizon repeated a contractual violation that it acknowledged that it previously committed and for which it apologized to the PUC, in failing to obtain prior PUC and KPMG advance

For example, KPMG confirmed that Verizon's help desk maintains a database known as "Tivoli" that tracks pertinent statistics and data concerning each CLEC contact to the help desk. The information includes, in the comments field, each time that Verizon initiates an outbound contact to a CLEC. A substantive review and examination of this database (which is not available to commercial CLECs such as AT&T) would serve as one means of evaluating, on an empirical or quantitative basis, whether Verizon's initiation of outbound contacts to KPMG to provide status reports on pending trouble tickets was typical or atypical, compared to other CLECs' experiences. KPMG, however, confirmed that it did not conduct this type of analysis.[35]

Another obvious example of Verizon's evident provision of preferential treatment to KPMG related to KPMG's successful receipt of its pseudo-CLEC wholesale bill for UNE-P lines from Verizon in an electronic format, known as CABS BOS bills.[36] KPMG requested that it receive bills in this format when it first set up its pseudo-CLEC account with Verizon in April of 1999.[37] KPMG then began receiving electronic bills for UNE-P lines in its June 1999 billing cycle. By receiving the bills in electronic format, KPMG could more easily review the accuracy of Verizon's charges. The alternative, to review the mounds of paper copies of Verizon's wholesale bill, would be much more time-intensive.[38] In contrast, Verizon has failed to comply with

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approval for the advertisement. The OSS contract expressly requires Verizon to obtain prior review and approval from the PUC and KPMG before Verizon may issue press releases which mention the PUC or KPMG. Verizon committed the first contractual violation in conjunction with its November 3, 2000 press release in which it characterized the draft report and mentioned both the PUC and KPMG, without obtaining prior approval of those entities. Following the first violation, Verizon issued a letter of apology to the Commission stating that it was unaware of its contractual obligation. In publishing the December 6, 2000 Patriot advertisement which amounts to a press release, it is indisputable that Verizon knew it should seek advance permission from KPMG and the PUC before publishing the ad, but nonetheless, Verizon again failed to comply with the OSS contract.

[35] Tr. 64.

[36] Tr. 340-342; 512-513.

[37] Tr. 340; KPMG Response to Information Requests, Part 2, No. 12.

[38] Tr. 342.

CLECs' repeated requests to obtain their wholesale bills for UNE-P lines in CABS BOS format, at least one of which has been pending for over a year.[39]

Likewise, KPMG could have examined the OSS hybrid carrier-to-carrier monthly performance reports of its own pseudo-CLEC experience against the comparable CLEC aggregate reports to determine whether KPMG's experiences were better than the CLEC aggregate; but KPMG did not do so.[40] KPMG stated that the only use that it made of the monthly hybrid guideline carrier to carrier performance reports was in its performance review of Verizon's metrics, and particularly whether KPMG could replicate Verizon's monthly reports.[41] The hybrid guideline carrier to carrier monthly reports, therefore, were not used as part of KPMG's conduct of the process and performance reviews and transaction testing in the relationship management infrastructure, pre-ordering and ordering, provisioning, billing, maintenance and repair portions of the third party test.

Yet a third example of Verizon's preferential treatment of KPMG concerns KPMG's access to Verizon's OSS via Web-GUI. KPMG reported little problem with accessing Verizon's Web-GUI during the course of the summer 2000 testing activities, whereas commercial CLECs experience constant problems with Web-GUI outages or slow-downs that effectively amount to an outage. This discrepancy is particularly perplexing since KPMG is supposed to be accessing Web-GUI in the same manner as commercial CLECs.[42]

AT&T's concerns are borne out in reality. Based on AT&T's experience using Verizon's OSS in Pennsylvania during AT&T UNE-P production testing for every 100 UNE-P lines that

[39] Tr. 340 (MCI WorldCom); Tr. 348 (AT&T).

[40] Tr. 357-358.

[41] KPMG Consulting Workshop Follow-Up Responses to Information Requests, Part 1, No. 31.

[42] Tr. 141-144; 157-158.

AT&T orders, Verizon will mis-provision service for approximately 33% of those lines.[43] Verizon will not fix the mis-provisioned service until 26 days later, on average. Only 51 of those lines will receive the service at AT&T requested on the due date. This level of substandard performance of Verizon's Pennsylvania OSS undoubtedly will have a material adverse effect on competition, and will preclude CLECs from being able to compete effectively against Verizon.

Clearly AT&T's experience – and the experience of the other CLECs in the workshops -- contrasts with KPMG's experience. The contrast may be due in part to the differences between third party testing and CLEC production testing, which addresses end to end testing from pre-ordering through maintenance and repair, including provisioning and billing. Even those testing differences, however, cannot explain the consistently better service KPMG appears to have received from Verizon during the testing process. As explained above, because the third party tester cannot be anonymous to Verizon, KPMG's test experience is likely to reflect the product of Verizon's provision of preferential treatment to KPMG.

KPMG thus should clarify in the final report that despite its efforts to conduct the third party test anonymously, the inherent limitations of available testing techniques make it virtually impossible for the test to be in fact conducted anonymously, and that Verizon had the means to provide preferential treatment to KPMG. KPMG should also clarify that the Master Test Plan did not call for KPMG to verify through available empirical data whether Verizon provided preferential treatment to KPMG.

[43] Tr. 295.

VII. Conclusion

Verizon's failure to pass the limited volume performance test, which was confined only to examining Verizon's capabilities to send order confirmations and reject responses on flowthrough transactions, must be resolved now and Verizon must fix its systems. Additionally, Verizon's failure to pass the metrics test must also be rectified now and Verizon must be required to fix its data collection and reporting problems. These problems, if left unresolved, will have a material adverse effect on competition. CLECs will be uniformed about the status of their customers' orders and unable to provide service to those customers on a timely basis. Without accurate monthly carrier to carrier performance reports, regulators and CLECs will be unable to evaluate whether Verizon is in fact providing CLECs with nondiscriminatory access to its OSS relative to the quality of service that Verizon provides to its own retail operations.

Additionally, KPMG should clarify in its final report that it focused its review of Verizon's OSS principally on Verizon's systems and did not evaluate the scalability of Verizon's manual processing and support systems. KPMG should also provide additional clarification in the final report that it has not confirmed that its testing results are typical of a CLEC's experience and may be the result of preferential treatment.

Respectfully Submitted,

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EXHIBIT 2

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